

**STATE OF VERMONT**

**AGENCY OF ADMINISTRATION**

**BULLETIN NO. 5**

**SINGLE AUDIT POLICY FOR SUBGRANTS**

**COMPLIANCE WITH OMB  
CIRCULAR A-133**

**ISSUED BY:** Michael K. Smith, Secretary of Administration

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**Key Changes in 2/18/05 Revision:**

1. Update references to single audit threshold to \$500,000 from \$300,000.
2. Clarify the role of the primary pass-through entity.
3. Clarify the requirement of subrecipients to complete the Certification of Audit Requirement and Schedule of Federal Expenditures, removing these forms from the grant award document and modifying Attachment C.
4. Modify Attachment C, Item 14 regarding sub-granting provisions.
5. Add requirement for pass-through entities to notify potential grantees of grant requirements during grant application process.
6. Add clause to require copies of all insurance certificates before grant execution.
7. Add reference to the insurance waiver process.
8. Allow the use of Memorandum of Understanding grant formats for grants to other State agencies.
9. Modify requirement for recording grant number on all subrecipient payments.
10. Clarify responsibility of pass-through entities in making use of the VISION Subrecipient Grant Tracking System.

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## **I. POLICY AND PURPOSE**

This bulletin promulgates the policies and procedures, governing the issuing of **federally funded** grants to subrecipients that are covered by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Background:** With the 1990 issuance and the 1997 revisions to OMB Circular A-133, states are required to assume responsibility for complying with federal requirements when it accepts federal funds. That responsibility includes operating the program, maintaining property and financial records, arranging for audits, and assuring audit resolution. When a state agency become a pass-through entity by granting federal funds to a subrecipient, the federal agencies hold the state agency ultimately responsible for compliance at the subrecipient level. The state agency, as pass-through entity, is responsible for informing the subrecipient of applicable federal requirements as well as identification of the source of funding and any additional administrative requirements imposed on the subrecipient.

**Policy Statement:** It is the policy of the State of Vermont to comply with all requirements of OMB Circular A-133 in the issuing and monitoring of federally funded grants. Supervisors, as herein defined, are hereby delegated the management and oversight responsibilities for compliance with this Circular and are directed to oversee these responsibilities in a manner consistent with this policy and with the provisions of this Bulletin.

**Summary:** Under this Bulletin it is recommended that agencies use a standardized grant agreement that will include a Scope of Work to be Performed, Payment Provisions, Customary Provisions as well as any special conditions imposed by federal granting agencies. They will also be required to establish monitoring plans for all of their subrecipients. Primary pass-through entities will be assigned for subrecipients who are required to have Single Audits performed. These primary pass-through entities will be responsible for ensuring that the subrecipient submits a copy of the audit, reviewing the audit and coordinating any required action based on audit findings. Agencies will record all grant awards in the VISION Subrecipient Tracking System. Primary pass-through entities will also document review of single audits in the VISION Subrecipient Tracking System.

## **II. DEFINITIONS**

As used in this Manual:

**Agency** means an agency, department, division, board or other administrative unit of the Executive Branch, including the elected constitutional offices as well as those having express statutory authority to enter into grants.

**CFDA number** means the Catalog of Federal Domestic Assistance identification number.

**CFDA Title** means the title of the federal program.

**Conflict of interest** means a pecuniary interest of an employee in the award or performance of the grant, or such an interest, known to the employee, by a member of his /her immediate family or household or a business associate.

**Contract** means any legally enforceable agreement between an agency and another legal entity to provide services and/or products. The term contract includes all such agreements whether or not characterized as a "contract," "agreement," "miscellaneous agreement," "letter of agreement," or other similar term.

**Grant** means a legally enforceable agreement between an agency and a subrecipient to carry out a program as defined in a grant agreement.

**Non-Federal Entity** means a State, local government, or non-profit organization.

**Pass-Through Entity** means an organization (recipient) that received federal funds and passed them on to another non-federal entity to carry out the program.

**Primary Pass-Through Entity** means the State of Vermont agency assigned the responsibility for receiving and reviewing the Single Audit of a particular subrecipient.

**Products** shall be broadly interpreted and includes equipment, materials, supplies, printing, and other commodities. The term applies to the lease and lease-purchase of equipment such as computers, copiers and/or other office machinery.

**Recipient** means a non-federal entity that expends federal awards received directly from a federal awarding agency to carry out a federal program.

**Research and development (R&D)** means all research activities, both basic and applied, and all development activities that are performed by a non-federal entity.

**Services** shall be broadly interpreted and includes personal and professional services of an individual or of persons working for a business enterprise; construction services; design and engineering services; real estate services and the maintenance of equipment.

**Subrecipient** means a non-federal entity that expends federal awards received from a pass-through entity to carry out a federal program, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency. Guidance on distinguishing between a subrecipient and a vendor is provided in VI. **SUBRECIPIENT/VENDOR DETERMINATION** of this document.

**Supervisor** means any secretary, commissioner, executive director, independent constitutional officer or other head of an agency.

**Secretary** means the Secretary of Administration.

**Vendor** means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal program. Additional guidance on distinguishing between a subrecipient and a vendor is provided in VI. **SUBRECIPIENT/VENDOR DETERMINATION** of this document.

### **III. INTRODUCTION**

Federal funds awarded to a recipient are in many cases subsequently (sub) granted to other governmental or non-federal entities. Congress and the Office of Management and Budget (OMB) recognized the need to address these "pass-through" funds in the Single Audit Act Amendments of 1996 (the Act) (P.L. 104-156 – July 5, 1996). The Act requires the Director of the OMB to prescribe policies, procedures, and guidelines to implement it. OMB Circular A-133 was revised and reissued on June 30, 1997. Section 7501(a)(4) of the Single Audit Act Amendments and Section 105 of Circular A-133 define federal awards as "Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities." Under this arrangement, the entity receiving the award directly from the federal agency is usually referred to as the "*pass-through entity*" and the entity receiving the award from the pass-through entity is generally referred to as the "*subrecipient*."

### **IV. (SUB) GRANTING**

Nonprofit and governmental organizations may receive grants from state and local governments subject to the Common Rule implementing OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*. The Common Rule provides states flexibility in making grants to other governments by permitting the states to use their own laws and procedures, but directs local government grantees to pass through all the Rule's provisions to their governmental subrecipients. Notably, the Common Rule is silent on grants to nonprofit organizations, which allows states to be more restrictive in how they award funds to universities and nonprofit organizations than to governments. The Common Rule applies only to governmental entities while nonprofit organizations should follow OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

## **V. RESPONSIBILITIES**

### **A. Pass-through entity**

A recipient assumes responsibility for complying with federal requirements when it accepts federal awards. That responsibility includes operating the program, maintaining property and financial records, arranging for audits, and assuring audit resolution. When the recipient passes a grant through to a subrecipient, federal agencies hold the recipient (now called the pass-through entity) ultimately responsible for compliance at the subrecipient level. The pass-through entity is responsible for informing the subrecipient of applicable federal requirements as well as identification of the source of funding and any additional administrative requirements imposed on the subrecipient. *The pass-through entity should inform potential subrecipients of all requirements of the grant award, including insurance requirements, during the grant application process. This will allow the subrecipient to build all costs associated with the grant into their grant proposal. Please refer to Section VIII, Paragraph A of this document for additional comments pertaining to insurance and insurance waivers.*

Audit requirements differ depending on the subrecipient's amount of federal expenditures, the awarding agency program regulations, and the terms and conditions of the specific award. A pass-through entity is responsible for understanding audit requirements and for imposing those audit requirements on the subrecipient.

OMB Circular A-133, Section 400(d) places the following responsibilities on pass-through entities:

- a) Identify federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, whether the award is Research and Development, and name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the federal award.
- b) Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- c) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that all performance goals are achieved.
- d) Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 for that fiscal year. (If the funds passed through to the subrecipient are the only federal funds it receives, then the subrecipient may qualify for a program-specific audit instead of a single audit).
- e) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

- f) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- g) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with OMB Circular A-133.
- h) Maintain subrecipients' report submissions or other written notification when the subrecipient is not required to submit a reporting package. (Agencies must follow the records retention policy in VISION Procedure 2).

## **B. Subrecipient**

A subrecipient is awarded federal funds to perform the services or activities described in the grant agreement. It must ensure that when performing those services or activities, it complies with all of the requirements of the grant agreement. A subrecipient should set up systems for managing the award activities. It should establish a grant accounting system to trace federal fund expenditures to show the money has been spent according to program requirements and produce required financial reports.

The subrecipient must also ensure that it complies with any public policy requirements included in the grant agreement. Those requirements will include federal requirements that flow down from the grant agreement between the pass-through entity and the federal award agency to the subrecipient. The agreement also may include additional requirements imposed by the pass-through entity. To ensure compliance, the subrecipient should establish internal policies and properly train its staff.

Subrecipients may pass through funds they receive to their own subrecipients with prior written approval of the pass-through entity. They must advise their subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity. They must also set up a plan for monitoring those subrecipients' use of the funds.

## **VI. SUBRECIPIENT/VENDOR DETERMINATION**

An organization or individual may be a recipient, a subrecipient, and a vendor. Federal awards expended as a recipient or subrecipients are subject to audit under OMB Circular A-133. The payments for goods or services provided as a vendor are not considered federal awards. Circular A-133 provides specific guidance on determining whether payments constitute a federal award or a payment for goods and services.

### **A. Definition of Subrecipient**

A "subrecipient" is defined in OMB Circular A-133, Section 105, as "a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program." A subrecipient may also



be a direct recipient of federal awards under other agreement or programs. For example, a nonprofit organization may be considered a recipient, pass-through entity, subrecipient, and/or a vendor under different federal award programs.

## **B. Definition of Vendor**

OMB Circular A-133, Section 105 defines a vendor as “ a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization’s own use or for the use of beneficiaries of the Federal program.”

## **C. Basic Considerations**

OMB Circular A-133, Section 210 lists the following characteristics for a subrecipient and for a vendor. The guidance in the following table should be considered in determining whether payments constitute a Federal award to a subrecipient of a payment for goods and services.

<b>Federal Award Subrecipient</b>	<b>Payment for Goods and Services Vendor</b>
Determines who is eligible to receive what federal financial assistance.	Provides the goods and services within normal business operations.
Has its performance measured against whether the objectives of the federal program are met.	Provides similar goods or services to many different purchasers.
Has responsibility for programmatic decision making	Operates in a competitive environment.
Has responsibility for adherence to applicable federal program compliance requirements.	Provides goods or services that are ancillary to the operation of the federal program.
Uses the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.	Is not subject of compliance requirements of the federal program.

The pass-through entity can review the features of each agreement to determine whether it appears more like a purchase or a subgrant. Following is a list of some of the many characteristics that can be considered.

1. *Competition.* Procurement contracts will usually be issued based on free and open competition.

2. *Multiple awards.* Federal grant awards are usually issued to multiple subrecipients, whereas purchase contracts usually select only one vendor to provide the required goods or services.
3. *Elements of cost.* Subrecipients normally are reimbursed only for incurred allowable cost, while vendors are paid some amount above cost (profit).
4. *Risk.* Vendors assume most of the risk for performance on a contract.
5. *Cost participation.* Subrecipients are many times required to provide matching funds or share in the cost of a grant program, whereas cost sharing would be highly unlikely in vendor agreements.
6. *Purpose.* In a subgrant, the subrecipient is providing assistance to the pass-through entity for the pass-through entity's program, whereas in a vendor contract the primary grantee is obtaining goods or services for its own purpose.
7. *Scope of Services.* For vendor procurements, the goods or services being purchased are normally spelled out in the contract. In a subgrant transaction, however, only the program details are identified in the grant document.
8. *Terms and Conditions.* Special terms and conditions may be imposed unilaterally by the pass-through entity on subrecipients. For procurement contracts, however, special terms and conditions are usually not included, or, if included, the vendor must agree to them at the time of the award.
9. *Ownership of property.* When a subrecipient with federal funds purchases real or personal property, the pass-through entity retains an interest in the property. If the property is subsequently sold or the program is discontinued, the net proceeds from the sale of the property or the property itself usually must be returned to the pass-through entity. For vendor contracts, where the vendor purchases equipment to assist in providing the goods or services, the vendor usually retains title to such property.
10. *Termination.* Generally, a grant or subgrant can be unilaterally terminated by the granting agency only for cause. A procurement contract, on the other hand, can be terminated for the convenience of the awarding agency.

#### **D. Personal Services: Subrecipients and Employees**

Generally, personal services should be obtained from state employees rather than subrecipients. Subrecipients should not be used to do the continuing work of the government, nor when an agency of the state is able to provide quality services at competitive market rates.

### **VII. CONFLICT OF INTEREST**

Employees with a conflict of interest should not be permitted to control or influence the award of grants. This applies to members of any boards who are involved in any review and selection

process for grants. Additionally, every effort should be made to avoid the "appearance" of a conflict of interest in the granting process. An appearance of a conflict is anything that would lead a reasonable person to question whether this subrecipient was selected for improper reasons.

## **VIII. GRANT DRAFTING**

### **A. Drafting the Grant Agreement**

Grants, of any amount, must be in writing. Each grant must:

1. Describe the scope of services to be performed or products to be delivered by the subrecipient, including the schedule for performance and applicable standards by which the subrecipient's performance will be measured.
2. Identify federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is Research and Development, and name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the federal award.
3. Notify the subrecipient that if the subrecipient expends \$500,000 or more in federal awards during the subrecipient's fiscal that it must meet the audit requirements of Circular A-133 for that fiscal year. If the funds passed through to the subrecipient are the only federal funds it receives, then the subrecipient may qualify for a program-specific audit instead of a single audit.
4. Specify a maximum amount of money to be paid by the State under the grant.
5. Describe how, when, and for what the subrecipient will be paid.
6. Be assigned a unique Grant Agreement Number that will consist of the VISION Business Unit - and a one to four digit number at a minimum (05100-0001).
7. Require the subrecipient to complete the "Certification of Audit Requirement and Schedule of Federal Expenditures" annually.

A Standard Grant Agreement form and all attachments are available on the [VISION Web page](#).

**Insurance** —(*This only applies to subrecipients who are not State of Vermont agencies*). It is very important that appropriate insurance be included in the grant agreements to non-state entities to protect the State's interests. Standard insurance coverage provisions are included in Attachment C and are intended to cover most of the situations encountered. However, there may be a need for additional types of insurance, depending on the circumstances, e.g. professional liability insurance, and/or for higher insurance limits when relatively dangerous or hazardous activities are contemplated. Agencies should consult with the Director of Risk Management for guidance in such instances.

### **Insurance Waivers -**

There may be instances in which insurance limits may be reduced or eliminated altogether from the grant agreement. Such modifications, however, may only be undertaken with a waiver from either the Director of Risk Management or the Attorney General. The decision to grant such waivers is at the discretion of the Director of Risk Management or the Attorney General. A "Request To Modify Insurance Requirements" form is published on the VISION web page at [www.state.vt.us/fin/Bulletin5Forms.htm](http://www.state.vt.us/fin/Bulletin5Forms.htm). Granting departments can make this form available to potential subrecipients as necessary. (Refer to Section V, Paragraph A of this document for a description of the responsibility of granting departments to notify potential subrecipients of insurance requirements.)

When a grant extends for more than one page, each page should be numbered sequentially and the total number of pages should be noted on each page, (e.g., "Page 3 of 6").

**For grants of \$10,000 or less**, formats can be brief. An adequate small grant agreement could consist of a single sheet, labeled "Grant Agreement", stating the parties and the essential terms with the customary state grant provisions (Attachment C) attached. The essential terms are the work to be performed or products to be delivered, the beginning and ending dates or date of delivery, the amount payable, and payment provisions.

**For incidental or product grants**, for one time grants under \$2,500 and grants for the purchase of goods and services for use by the subrecipient, only the "Grant Agreement" stating the parties and the essential terms are necessary. The essential terms are the work to be performed or products to be purchased, the beginning and ending dates, the amount payable, and payment provisions. Proof of compliance with the essential terms must also be required. If Attachment C is not included, the requirement to complete the Certification of Audit Requirement and the Schedule of Federal Expenditures within 45 days after the subrecipient's fiscal year end must be included. (See APPENDIX IV)

**For grants greater than \$10,000**, it is recommended, in the interests of consistency, that standard forms be utilized. (See APPENDIX I)

When the complexity or other aspects of a grant agreement dictate use of other than the Standard State Grant Agreement form, an agency must ensure that all the terms in the Standard Grant Agreement (and its Customary Provisions) or suitable substitute provisions are utilized. The tax status certifications, child support, and equal opportunity clauses are particularly important, as they are statutorily required. It is not permissible to include a clause restricting the ability of the subrecipient to hire state employees, without prior permission of the Department of Personnel.

**For grants to other State agencies**, agreements may be in a Memorandum of Understanding or other similar format. This document must include, at a minimum, items 1, 2, 4 and 5 of Section VIII, Paragraph A of this document. Although certain provisions of this document may not apply to a particular grant to another State agency, the pass-through entity still has the responsibility of monitoring and oversight of these subrecipients.

### **B. Prior Approvals**

An agency that wishes to obtain prior approval of a grant agreement from the Attorney General may do so at its discretion.

## **IX. GRANT EXECUTION, REQUISITE RECORDS**

### **A. Execution**

A grant agreement must be signed by the appropriate supervisor or his/her designee, consistent with Agency of Administration Bulletin 3.3 relating to signature authorizations. A grant agreement will not be executed until copies of all required insurance certificates have been received by the pass-through entity, or a “Request To Modify Insurance Requirements” form has been approved.

After a grant agreement has been fully executed, the agency should deliver a copy of the entire agreement, as executed, to the subrecipient.

### **B. Records**

An agency must maintain an up-to-date grant file that is an official public record. For all grants, agencies must keep the following records on file, as public records, as defined in VISION Procedure 2:

- 1) The signed original grant agreement and all amendments to the original agreement.
- 2) All financial and programmatic reports required to be filed by the subrecipient.
- 3) Documentation of subrecipient monitoring activities performed by the pass-through entity.

## **X. PAYMENTS TO SUBRECIPIENTS**

Payment is made through the Division of Financial Operations by input of a VISION voucher, or a TSF journal using the VISION Class Code **00001** (Subrecipient Payment). If greater detail is desired, additional Class Codes may be requested in the **0XXXX** range of numbers. The original invoice from the Subrecipient will be retained in the pass-through entity’s files for future review. The payment request must include the Grant Agreement number in the Invoice Number field on the VISION voucher.

## **XI. SUBRECIPIENT MONITORING**

### **Compliance Requirements (OMB Circular A-133 March 2003 Compliance Supplement)**

A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of federal awards through site visits or other means to provide reasonable assurance that the

subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

- *Subrecipient Audits* – Ensuring required audits are completed within nine months of the end of the subrecipient’s audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report, and ensuring that the subrecipient takes timely and appropriate corrective actions on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable federal regulations.

### **Certification of Audit Requirement and Schedule of Federal Expenditures**

A Certification of Audit Requirement and a Schedule of Federal Expenditures form will be sent to every non-state agency subrecipient annually by the Department of Finance and Management near the end of the subrecipient’s fiscal year. These forms will ask the subrecipient whether or not it is required to have a single audit performed because it spends over \$500,000 in federal funds during its fiscal year. If it does not have a single audit it will also need to submit the Schedule of Federal Expenditures form. Each subrecipient must file these forms with the Department of Finance and Management annually within 45 days after the end of its fiscal year.

The Department of Finance and Management will record receipt of these reports in the VISION Subrecipient Grants Tracking System and will assign a primary pass-through entity for every subrecipient at that time or when the forms become delinquent. The primary pass-through entity is responsible for ensuring compliance with this reporting requirement. For those subrecipients requiring a single audit, the additional responsibilities of the primary pass-through entity are described in Paragraph A of this section.

#### **A. Audit Required**

A non-federal entity that expends \$500,000 or more in federal assistance in a year shall have a single audit conducted in accordance with the Single Audit Act, except when it elects to have a program specific audit. A non-federal entity may elect to have a program specific audit if it expends funds only under one federal program and the federal program’s laws, regulations, or grant agreements do not require a financial statement audit.

Once the audit is complete, it is the subrecipient’s responsibility to submit the final audit report to the pass-through entity. The pass-through entity must review the audit results for any audit findings and the subrecipient’s planned corrective action to determine whether the subrecipient is complying with the grant agreement requirements. When several state agencies grant funds to the same subrecipient, the Department of Finance and Management shall assign one pass-through entity as the primary pass-through entity responsible for receiving and reviewing the audit. However, any pass-through entity is entitled to request a copy of the single audit from its subrecipients and they should review the audit and communicate their comments to the primary pass-through entity to ensure that they are properly recorded in the tracking system.

**Reviewing a Single Audit Report** - a single audit report contains information about a subrecipient's use of federal money and compliance with program objectives. The pass-through entity should review the following components of a subrecipient's single audit report as part of its monitoring efforts.

- 1) The auditor's opinion on the financial statements.
- 2) The auditor's report on internal controls.
- 3) The auditor's report and opinion on compliance with laws and regulations that could have an effect on major programs.
- 4) The Schedule of Expenditures of Federal Awards.
- 5) The schedule of findings and questioned costs.
- 6) The subrecipient's corrective action plan.

It must be noted that a Single Audit has limitations. Auditors only test a subrecipient's compliance with program requirements for "major programs". Major programs include the subrecipient's larger programs and programs which the auditor determines have a higher risk of noncompliance. Smaller programs and low-risk programs are excluded from the audit. A pass-through entity may want to perform additional monitoring such as site visits or desk reviews of documents. The pass-through entity can monitor areas of a program that an auditor would not test, such as quality-of-service issues, and programs that are not tested as part of the single audit either because they are too small or they are not high-risk. Early identification of problems can avoid audit findings or unallowable costs that must be recovered from the subrecipient. If a subrecipient's single audit regularly reports no findings, then the pass-through entity may feel comfortable relying on the single audit results. If a subrecipient's single audit does report findings that affect the pass-through entity's awards, then monitoring activities should be increased.

The primary pass-through entity is responsible for ensuring that the subrecipient submits copies of the audit, reviewing the audit, and posting this information and information on findings in the tracking system. A copy of the review must be filed in the Grant file. It is also required to communicate with any state pass-through entity with findings that impact their grant agreement with the subrecipient. A *Review for Compliance with OMB Circular A-133 Checklist* is available as a guide. This is posted on the [VISION Web page](#).

Each individual pass-through entity is required to issue a management decision concerning any related audit findings. If an audit finding affects programs of more than one federal agency, the primary pass-through entity is responsible for coordinating a management decision among the separate pass-through entities. Management decisions shall clearly state whether the audit finding is sustained, the reasons for the decision, and the expected subrecipient actions to repay disallowed costs, make financial adjustments, or take other action.



The Primary pass-through entity will be responsible for entering the following information in the VISION Grants Tracking System.

- 1) That an audit has been received.
- 2) That the audit has been reviewed.
- 3) Whether or not there were any findings with comments on findings.
- 4) Whether or not a Corrective Action Plan was requested and received.
- 5) When the audit has been accepted.
- 6) Adding comments pertaining to the audit review.

**B. Audit not Required**

An entity is exempt from the Single Audit requirements if it expended less than \$500,000 in total federal assistance in one year. While an audit is not required the pass-through entity is still responsible to “ *Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.* ”

As with entities requiring a single audit, pass-through entities should make use of the VISION Subrecipient Grant Tracking System to document their monitoring activities.

A pass-through entity’s monitoring procedures may consist of one or more of the following:

- 1) On-site monitoring – when on-site visits are done the pass-through entity may establish a rotating cycle up to three years to conduct its visits to its subrecipients rather than try to visit them every year.
- 2) Limited scope engagements – these audits include the following types of compliance requirements:
  - Activities allowed or unallowed;
  - Allowable costs/cost principle;
  - Eligibility;
  - Matching, level of effort and earmarking;
  - Reporting.
- 3) Desk review of subrecipient’s financial and program reports.
- 4) Other – one of the most important facets of monitoring is to stay informed. Pass-through entities can use communication tools such as telephone interviews and e-mail. Phone conversations should be documented in the grant files and copies of any written correspondence should also be in the grant file.

Before selecting the best monitoring tool for a particular subrecipient, there are several factors a pass-through entity should consider. First, the pass-through entity should determine the purpose of the monitoring activity. Then it should consider the risk of noncompliance associated with the subrecipient. Additionally, the pass-through entity should assess its available monitoring resources. When determining monitoring procedures the pass-through entity should consider some of the following:

- 1) Size of the grant – it should balance the cost of monitoring the subrecipient against the size of the grant and the percentage of the pass-through entity’s total federal awards that are passed through.
- 2) Type of organization – it should consider which monitoring practices are best for a particular type of subrecipient (community organization, local government agency, school district, etc.).
- 3) Complexity of compliance requirements – a more complex program usually will require more monitoring because there is a greater chance of noncompliance with at least some of the program requirements.
- 4) Subrecipient’s prior experience – an important factor to consider is an organization’s experience with administering federal grants. A subrecipient that has administered the same program for several years (with few if any findings) often will require less monitoring.
- 5) Subrecipient’s prior monitoring results – if a pass-through entity has had problems with a subrecipient in the past, it should consider using a more intense level of monitoring.

### **C. Monitoring Plan**

All pass-through entities are required to comply with these standards and adopt a written policy, which defines their procedures to monitor their subrecipients. Copies of the policy may be reviewed as part of the annual review of this policy statement. (See Section XIII. ANNUAL REVIEWS)

## **XII. SUBRECIPIENT GRANT TRACKING**

### **A. Grant Awards**

All agencies are required to input information on all their Federal funded non-state agency grants into VISION within 10 days of the grant execution date. The following information will be required on each grant award.

- 1) Subrecipient's name and address by using the VISION Vendor Number.
- 2) The subrecipient's fiscal year. (Month to Month)
- 3) Grant Agreement Number.
- 4) Amount of the grant award, beginning and ending dates of the Grant, and the CFDA # of the funds supporting this award.
- 5) Name and telephone number of the contact person at the pass-through entity.

**B. Subrecipient Review**

The Department of Finance and Management will update the tracking system with the primary pass-through entity as well as recording the receipt of forms from subrecipients and indicating whether or not an audit is required. In addition, the Department of Finance and Management will enter expenditure information as reported on the Schedule of Federal Expenditures.

Primary pass-through entities are required to document their receipt and review of single audits including resolution of audit findings in the grant tracking system.

**XIII. ANNUAL REVIEWS**

In order to promote compliance with the provisions of this bulletin, Finance and Management will conduct management reviews of performance relative to the policy and requirements herein.

The results of such reviews are subject to public disclosure.

## APPENDIX I

### State of Vermont Standard Grant Agreement

Agreement # \_\_\_\_\_

1. Parties: This is a Grant Agreement between the State of Vermont, Department of \_\_\_\_\_, Division of \_\_\_\_\_ (hereinafter called "State"), and \_\_\_\_\_ with principal place of business at \_\_\_\_\_, (hereinafter called "Subrecipient"). Subrecipient ☐ is/ ☐ is not required by law to have a Business Account Number from the Vermont Department of Taxes. The Account Number is # \_\_\_\_\_.
2. Subject Matter: The subject matter of this Grant Agreement is \_\_\_\_\_. Detailed services to be provided by the Subrecipient are described in Attachment A.
3. Maximum Amount: In consideration of the services to be performed by Subrecipient, the State agrees to pay Subrecipient, in accordance with the payment provisions specified in Attachment B, a sum not to exceed \$ \_\_\_\_\_.00.
4. Grant Term: The period of Subrecipient's performance shall begin on \_\_\_\_\_, 20\_\_ and end on \_\_\_\_\_, 20\_\_.
5. Source of Funds: Federal \_\_\_\_\_% Other \_\_\_\_\_%
6. CFDA Title \_\_\_\_\_; CFDA Number \_\_\_\_\_; Award Name \_\_\_\_\_; Award Number \_\_\_\_\_; Award Year \_\_\_\_\_; Federal Granting Agency \_\_\_\_\_; Research and Development Grant? Yes ☐ No ☐.
7. Amendment: No changes, modifications, or amendments in the terms and conditions of this Grant Agreement shall be effective unless reduced to writing, numbered, and signed by the duly authorized representative of the State and Subrecipient.
8. Cancellation: This Grant Agreement may be suspended or cancelled by either party by giving written notice at least \_\_\_\_ days in advance.
9. Contact persons: The Subrecipient's contact person for this award is: Name \_\_\_\_\_; Telephone Number \_\_\_\_\_; E-mail address \_\_\_\_\_.
10. Fiscal Year: The Subrecipient's fiscal year starts (month) \_\_\_\_\_ and ends (month) \_\_\_\_\_

Attachments: This Grant consists of \_\_\_\_\_ pages including the following attachments that are incorporated herein:

- Attachment A - Scope of Work to be Performed
- Attachment B - Payment Provisions
- Attachment C - Customary State Grant Provisions
- Attachment D - Other Provisions
- Certification of Audit Requirement
- Schedule of Federal Expenditures

WE, THE UNDERSIGNED PARTIES, AGREE TO BE BOUND BY THIS GRANT AGREEMENT.

STATE OF VERMONT

SUBRECIPIENT

by:

by:

\_\_\_\_\_  
Commissioner

Department of \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

(Print)

Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Fed ID/SS#: \_\_\_\_\_

Date: \_\_\_\_\_

## **APPENDIX II**

### **GUIDELINES FOR ATTACHMENT A SCOPE OF WORK TO BE PERFORMED**

Attachment A of a Standard State Grant Agreement describes the nature and extent of the Subrecipient's obligations. This is the most important part of the agreement. To avoid problems later, you should make the description clear, unambiguous and complete. Specify all performances and products to be delivered. Avoid "legalese"; plain English is sufficient and preferred.

The following checklist should be helpful in writing specifications:

1. Does the work statement let the subrecipient know what is ahead? Is it specific enough to allow the recipient to make a list of human resources and, if necessary, special facilities, equipment, subcontracts and/or consultants needed to accomplish the work?
2. Is general and background information separated from directions to the subrecipient and required performance? The minimum that the subrecipient is expected to do should be clearly described.
3. Have the pass-through entity's responsibilities to the subrecipient been clearly identified? If not, the state could find it more difficult to enforce its rights under the grant agreement.
4. Will it be possible to measure performance? Are the end results and specific duties of the subrecipient stated in such a way that he/she/it knows what is required and the pass-through official who orders payment can tell whether payment is due? Have the type and quantity of reports required of the subrecipient (technical, financial, progress, etc.) been described and specified? Is there a date for each task or outcome the subrecipient must deliver?

## **APPENDIX III**

### **GUIDELINES FOR ATTACHMENT B PAYMENT PROVISIONS**

The main body of the Standard State Grant Agreement simply states the maximum amount to be paid. Attachment B describes payments in more detail. Attachment B should tell the subrecipient:

1. On what basis payment will be made;
2. What bills, invoices or other proof of work the subrecipient must submit before being paid;
3. When and how much the subrecipient will be paid, and what deductions will be made from payments; and

Payments can be made periodically, upon completion of specific tasks, by percentage of the total grant performance, or by some combination of these methods. As a general rule, payments should be made only after work has been completed and delivered. One reason for this policy is the possibility of default and insolvency. An agency may not be able to recover its money from a subrecipient in receipt of a large prior payment and then having filed for bankruptcy. Also, if the subrecipient breaches the grant agreement, a prior payment may not be recoverable without filing a lawsuit.

Most grants provide for periodic payments, usually monthly or quarterly. To document work performed and to remind the agency to make payments, most grants require the subrecipient to submit both a financial statement and program progress report, showing the amount of work accomplished during the work period. A more complicated provision provides for "progress payments", or payments made on completion of designated steps. A progress payment might be made, for example, when a preliminary report is submitted and accepted. Such a payment provision should define carefully what the subrecipient must finish to be entitled to each intermediate payment.

Progress payments are useful because they require a pass-through entity to examine the work being done; but they also have pitfalls. When writing these provisions, make the steps realistic estimates of the way the work will be performed.

### **SAMPLE ATTACHMENT B PROVISIONS**

The State agrees to compensate the Subrecipient for services performed up to the maximum amounts stated below provided such services are within the scope of the grant and are authorized as provided for under the terms and conditions of this grant.

See the attached line item budget and budget narrative.

Title: \_\_\_\_\_

Quarterly Financial Statements and Program Progress Reports are due no later than the fifteenth

of the month following the quarter being reported, (January 15, April 15, July 15, October 15).

Payment must be requested using a Cash Request Form.

A financial close out report must be submitted within 45 days of the end date of the grant.

All completed forms should be submitted to:

Name: \_\_\_\_\_  
Department: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_



## APPENDIX IV

### GUIDELINES FOR ATTACHMENT C PREPRINTED CUSTOMARY PROVISIONS

Below is a copy of a preprinted form containing Customary Provisions for state grant agreement. The Customary Provisions form normally will be included in its entirety in an agreement as Attachment C.

All personal services grant agreements should require basic insurance coverage and limits. (See Attachment D for professional liability and owner's protective liability insurance provisions). Exceptions must be reviewed and approved in advance by either the AG or the Risk Management Division. In no case should coverage or limit requirements be reduced in the case of direct client care.

### ATTACHMENT C CUSTOMARY GRANT PROVISIONS

1. **Entire Agreement:** This Grant Agreement represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
2. **Applicable Law:** This Grant Agreement will be governed by the laws of the State of Vermont. The Subrecipient must comply with all the federal requirements pertaining to the expenditure of federal funds.
3. **Appropriations:** If this Grant Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Grant, the State may suspend or cancel this Grant at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. **Availability of Federal Funds:** This Grant is funded in whole or in part by federal funds. In the event the federal funds supporting this grant become unavailable or are reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.
4. **No Employee Benefits For Subrecipient:** The Subrecipient understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation and sick leave, workers' compensation or other benefits or services available to State employees, nor will the State withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the Grant Agreement. The Subrecipient understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including, but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Subrecipient, and information as to grant income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes, if required.
5. **Independence, Liability:** The Subrecipient will act in an independent capacity and not as

officers or employees of the State. The Subrecipient shall indemnify, defend and hold harmless the State and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of the Subrecipient's acts and/or omissions in the performance of this Grant.

6. **Insurance:** Before commencing work on this Grant the Subrecipient must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Subrecipient to maintain current certificates of insurance on file with the State through the term of the Grant.

Workers' Compensation: With respect to all operations performed, the Subrecipient shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the grant, the Subrecipient shall carry general liability insurance having all major divisions of coverage including, but not limited to:

- Premises - Operations
- Products and completed Operations
- Personal Injury Liability
- Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

- \$1,000,000 Per Occurrence
- \$1,000,000 General Aggregate
- \$1,000,000 Products / completed products aggregate
- \$ 50,000 Fire Legal Liability

Automotive Liability: The Subrecipient shall carry automotive liability insurance covering all owned, non-owned and hired vehicles, used in connection with the Grant. Limits of coverage shall not be less than:

- \$1,000,000 Combined single limit

No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Subrecipient for the Subrecipient's operations. These are solely minimums that have been set to protect the interests of the State.

7. **Reliance By the State on Representations:** All payments by the State under this Grant Agreement will be made in reliance upon the accuracy of all prior representations by the Subrecipient, including but not limited to bills, invoices, progress reports and other proofs of work.
8. **Requirement to Have a Single Audit:** If this subrecipient expends \$500,000 or more in federal assistance during its fiscal year, it is required to have a single audit conducted in accordance with the Single Audit Act, except when it elects to have a program specific audit.

The subrecipient may elect to have a program specific audit if it expends funds under only one federal program and the federal program's laws, regulating or grant agreements do not require a financial statement audit of the entity.

A subrecipient is exempt if the entity expends less than \$500,000 in total federal assistance in one year.

The subrecipient will complete the Certification of Audit Requirement annually within 45 days after its fiscal year end. If a single audit is required, the sub-recipient will submit a copy of the audit report to the primary pass-through entity and any other pass-through entity that requests it within 9 months. If a single audit is not required, the subrecipient will submit the Schedule of Federal Expenditures within 45 days. These forms will be mailed to the subrecipient by the Department of Finance and Management near the end of its fiscal year. These forms are also available on the [VISION Web page](#).

9. **Records Available for Audit:** The Subrecipient will maintain all books, documents, payroll papers, accounting records, and other evidence pertaining to costs incurred under this Grant Agreement and make them available at reasonable times during the period of the Grant and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this Grant Agreement.
10. **Fair Employment Practices and Americans with Disabilities Act:** Subrecipient agrees to comply with the requirement of Title 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Subrecipient shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990 that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Subrecipient under this Grant Agreement. Subrecipient further agrees to include this provision in all subgrants.
11. **Set Off:** The State may set off any sums which the Subrecipient owes the State against any sums due the Subrecipient under this Grant Agreement; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.
12. **Taxes Due To The State:**
  - a. Subrecipient understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.
  - b. Subrecipient certifies under the pains and penalties of perjury that, as of the date the Grant Agreement is signed, the Subrecipient is in good standing with respect to, or in full

compliance with, a plan to pay any and all taxes due the State of Vermont.

- c. Subrecipient understands that any payment under this Grant Agreement may be withheld if the Commissioner of Taxes determines that the Subrecipient is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.
- d. Subrecipient also understands the State may off-set taxes (and related penalties, interest, and fees) due to the State of Vermont, but only if the Subrecipient has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Subrecipient has no further legal recourse to contest the amounts due.

**13. Child Support:** (Applicable if the Subrecipient is a natural person, not a corporation or partnership.) Subrecipient states that, as of the date the Grant Agreement is signed, he/she:

- a. is not under any obligation to pay child support; or
- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Subrecipient makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Subrecipient is a resident of Vermont, Subrecipient makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

- 14. Subgranting:** Subrecipient shall not assign or subgrant the performance of this Grant or any portion thereof to any other Subgrantee without the prior written approval of the State. They must advise their subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity. They must also set up a plan for monitoring those subrecipients' use of the funds.
- 15. No Gifts or Gratuities:** Subrecipient shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this Grant Agreement.
- 16. Copies:** All written reports prepared under this Grant Agreement will be printed using both sides of the paper.

17. **Suspension and Debarment:** Non-federal entities are prohibited by Federal Executive Orders 12549 and 12689 from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and non-procurement transaction (grants to subrecipients). By signing this Grant Agreement, current Subrecipient certifies as applicable, that the contracting organization and its principals are not suspended or debarred by GSA from federal procurement and non-procurement programs.

## APPENDIX V

### GUIDELINES FOR ATTACHMENT D OTHER GRANT AGREEMENT PROVISIONS

Many grant agreements can be fully described using the materials described in preceding Appendices to this bulletin. In some cases, however, agencies will want to add specially tailored provisions not available on preprinted forms or in the main agreement itself. In addition, when granting for professional services, agencies will be required (absent an appropriate waiver) to include a professional liability insurance provision. Attachment D of the Grant Agreement, "Other Provisions", should be used for this purpose.

Some possible "Other Provisions" are suggested below.

1. **Cost of Materials:** Subrecipient will not buy materials and resell to the State at a profit.
2. **Identity of workers:** The Subrecipient will assign the following individuals to the services to be performed under the provisions of this Agreement, and these individuals shall be considered essential to performance. [cite individuals]. Should any of the individuals become unavailable during the period of performance, the State shall have the right to approve any proposed successors, or, at its option, to cancel the remainder of the Agreement.
3. **Work Product Ownership:** Upon full payment by the State, all products of the Subrecipient's work, including outlines, reports, charts, sketches, drawings, art work, plans, photographs, specifications, estimates, computer programs, or similar documents, become the sole property of the State of Vermont and may not be copyrighted or resold by Subrecipient.
4. **Prior Approval/Review of Releases:** Any notices, information pamphlets, press releases, research reports, or similar other publications prepared and released in written or oral form by the Subrecipient under this Grant Agreement shall be approved/reviewed by the State prior to release.
5. **Ownership of Equipment:** Any equipment purchased by or furnished to the Subrecipient by the State under this Grant Agreement is provided on a loan basis only and remains the property of the State.
6. **Legal Services:** Subrecipient will be providing legal services under this Grant Agreement. Subrecipient agrees that during the term of the Grant Agreement he or she will not represent anyone in a matter, proceeding, or lawsuit against the State of Vermont or any of its agencies or instrumentalities. After termination of this Grant Agreement, Subrecipient also agrees that he or she will not represent anyone in a matter, proceeding, or lawsuit substantially related to this Grant Agreement.
7. **Subrecipient's Liens:** Subrecipient will discharge any and all contractors or mechanics' liens imposed on property of the State through the actions of subcontractors.
8. **Performance Bond:** The Subrecipient shall, prior to commencing work under this Grant

Agreement, furnish to the State a payment and performance bond from a reputable insurance company licensed to do business in the State of Vermont, guaranteeing the satisfactory completion of the Grant Agreement by the Subrecipient and payment of all subcontractors, suppliers and employees.

- 9. Professional Liability Insurance:** Before commencing work on this Grant Agreement and throughout the term of this Grant Agreement, Subrecipient shall procure and maintain professional liability insurance for any and all services performed under this Grant Agreement, with minimum coverage of \$\_\_\_\_\_ per occurrence.
- 10. Davis-Bacon Act:** The subrecipient will comply with the provisions of the Davis-Bacon Act (40 U.S.C. 276a to 276a 7), the Copeland Act (40 U.S.C. 276c and 18 U.S.C. 874, and the Contract Work Hours and Safety Standards Act (40.327-333), regarding labor standards for federally assisted construction sub agreements.
- 11. Health Insurance Portability and Accountability Act (HIPA):** The confidentiality of any health care information acquired by or provided to the Subrecipient shall be maintained in compliance with any applicable State or federal laws or regulations.
- 12. Special Conditions:** Under this heading the pass-through entity will specify the special conditions imposed by the Federal Granting Agency.
- 13. Equal Opportunity Plan:** If they are required by the Federal Office of Civil Rights to have a plan, the Subrecipient must provide a copy of the approval of their Equal Opportunity Plan,
- 14. Supplanting:** If required, the Subrecipient will submit a Certification that funds will not be used to supplant local or other funding.
- 15. Prior Approvals:** If approval by the Attorney General's Office is required by the granting agency, the following should be added.

Neither this Grant nor any amendment to it is binding until it has been approved by the Attorney General's Office.